

Preservation of 808-812 Memorial Drive

Resident Disclosure, Policy Statement, and Agreement

The primary purpose of this document is to assure that every resident of 808-812 Memorial Drive receiving Rent Supplement assistance from HUD has sufficient information regarding the plans for the property in which they reside, as well as the ability to maintain the continued affordability of that property, so that they might make an informed decision regarding his/her subsidy going forward.

This document also memorializes commitments of the Cambridge Housing Authority ("CHA") and Memorial Drive Housing Limited Partnership, the ownership entity controlled by Homeowner's Rehab, Inc. (the Owner), and its successors.

A. BACKGROUND

808-812 Memorial Drive is a 300-unit apartment building, with two residential towers, a three-level garage, and approximately 38,000 sf of commercial space. The project was developed in 1974 through the HUD Section 236 program, the HUD Rent Supplement program, and a Section 236 mortgage from the Massachusetts Housing Finance Agency ("MassHousing"). Homeowner's Rehab, Inc. ("HRI") acquired the building in 1997 through a limited partnership between an affiliate of HRI as general partner and an investor limited partner, with financing provided through the Low Income Housing Preservation and Resident Homeownership Act ("LIHPHRA") program and an additional mortgage from MassHousing. Over the past 41 years, the property has successfully housed thousands of low and moderate income families, providing a critical resource in the increasingly expensive Cambridge housing market.

The 1997 HUD LIHPHRA Use Agreement, enforced by MassHousing, requires the Owner to keep 212 of the 300 units affordable to a mix of very low, low, and moderate income families. Federal funding under the HUD Section 236 program provides assistance for 212 units; additional assistance through the HUD Rent Supplement program subsidizes the 76 of these Section 236 units at 808-812 Memorial Drive. Affordable rents can only be increased through MassHousing approval to meet the actual costs of operating and maintaining the building. The remaining 88 market rate units are not regulated by HUD.

In May 2015, HRI was notified that the HUD Rent Supplement Contract at 808-812 Memorial Drive had expired on 12/1/2014. (HUD had previously notified HRI that the Rent Supplement Contract would expire on 12/1/2015). Since this notice, HRI worked with HUD to extend the Rent Supplement Contract through 10/31/2015 and to comply with the Massachusetts General Law 40T requirements as enforced by the Department of Housing and Community Development ("DHCD"). As of 10/31/2015, the 76 residents currently receiving Rent Supplement assistance will need an alternative subsidy source in order to keep the rents affordable and it is expected that upon the expiration of the Rent Supplement Contract, income-eligible residents in the property will be offered a special allocation of vouchers known as Tenant Protection Vouchers ("TPVs").

Currently, the HUD Section 236 rent for a two bedroom Section 236 apartment at 808-812 Memorial Drive is set at \$932/month. That rent is extremely affordable given that a recent rent study prepared for the CHA reports that the average 2 bedroom rent in Cambridge is currently \$2,676. If the Section 236 rents increase over time and approach market rent levels, you will need

support from TPVs or Project-Based Voucher ("PBV") to fill the gap between the amount you can pay and your apartment's total rent. If you do not certify with the CHA to receive a TPV or a PBV before your Rent Supplement assistance expires, your rent will likely become unaffordable and you will no longer be able to reside at the property.

With this in mind, HRI is seeking a way to preserve 808-812 Memorial Drive as affordable housing for the long-term. To make this happen without the benefit of the expiring Rent Supplement Contract, the owner will seek the consent of each resident receiving a TPV to convert their TPV to a Project-Based Voucher ("PBV") to take the place of the existing Rent Supplement Contract. This strategy will enable HRI to structure a refinance of the property in the near future, undertake upgrades, and secure the permanent affordability of the units. The more residents who convert their TPV to a PBV, the more building upgrades the Owner will be able to finance.

In order to move forward and commit to the long term affordability of the property, HRI is seeking a binding commitment from every Rent Supplement resident that states that he/she agrees to allow the CHA to tie this subsidy to his/her apartment as a Project-Based Voucher, instead of receiving a tenant-based Tenant Protection Voucher.

Without this level of commitment, HRI will be unable to refinance and preserve the property. While each current resident may be protected in the short-term by the Tenant Protection Vouchers, there would be less affordability at the property in the long run, for either current or future tenants. Conversion of the Tenant Protection Vouchers to Project-Based Vouchers would, however, provide a way to preserve the affordability of property for the long-term. But this preservation can only occur if the majority of residents consent to the conversion of the TPV to a PBV.

The following sections are intended to ensure that residents have the information necessary to make a fully informed decision about whether to provide that consent.

B. EXISTING PROJECT-BASED RENTAL ASSISTANCE SUBSIDIES; CURRENT AND PROPOSED PROJECT RENTS

1. CURRENT PROJECT-BASED RENTAL ASSISTANCE SUBSIDY STRUCTURE

76 of the 300 units at 808-812 Memorial Drive currently receive federal Rent Supplement assistance. At the expiration of the HUD Rent Supplement contract on October 31, 2015, these 76 units will be continue to be governed by underlying Section 236 program rules. However, many of these units or tenants may benefit from or need an additional rental subsidy which further reduces their rents, continuing their current level of assistance.

2. CURRENT RENT SUPPLEMENT RENT LEVELS

The current approved rents paid to the owner for Rent Supplement units at 808-812 Memorial Drive include all utilities and are as follows:

Bedroom Size	Rent Supplement Maximum Rent
1 BR	\$787
2 BR	\$932
3 BR	\$1,075
4 BR	\$1,218

C. VOUCHER OPTIONS

HUD will issue 76 Tenant Protection Vouchers under the Section 8 program as a replacement subsidy when the current Rent Supplement contract extension expires. The current tenant share of rent under the Rent Supplement Contract is the higher of (i) 30% of family's monthly adjusted income or (ii) the Rent Supplement contract rent. Section 8 rent is the highest of: (i) 30% of the family's monthly adjusted income; (ii) 10% of the family's monthly gross income; or (iii) the new Section 236 Contract rent level. Income eligible tenants may also pay the PHA minimum rent (which for CHA would be \$50). Based on these rent formulas, no current tenant receiving Rent Supplement assistance would experience an increase in rent as a result of the termination of the Rent Supplemental Contract if they converted to Section 8 Tenant Protection Vouchers.

Bedroom Size	Tenant Protection Voucher Maximum Rents	Section 236 Rent Level Increase (proposed*)
1 BR	\$787	\$826
2 BR	\$932	\$979
3 BR	\$1,075	\$1,129
4 BR	\$1,218	\$1,279

*This scheduled rent level increase has been proposed to MassHousing; if approved it will be in effect November 1, 2015.

Going forward, Tenant Protection Voucher rent increases proposed by the Owner must be approved by the CHA. The Owner is currently pursuing a rent increase with MassHousing (expected to be effective as of November 1), and will not implement this building-wide rent increase until Tenant Protection Vouchers and Project-Based Vouchers are in place for the eligible tenants who request them.

The Owner is currently requesting 76 Tenant Protection Vouchers ("TPVs") for residents receiving Rent Supplement Assistance and is seeking resident consent to convert these to Project Based Vouchers ("PBVs"). For residents, the two main differences between the two are:

- the ability to move immediately with rental assistance; and
- the maximum rent that HUD will pay to the owner, which may result in a increase in the tenant share.

Once the HUD 236 Mortgage is prepaid in 2016, the Owner intends to refinance to pay for major necessary capital improvements. At that time, contract rents for the units would increase to a point

where a former Rent Supplement resident who has chosen not to certify with the CHA could pay more than 30% of their income to rent, resulting in potential financial hardship in the future.

1. PROJECT-BASED VOUCHERS (PBVs)

a. Description

PBVs are Section 8 vouchers that are assigned to specific apartments, rather than to specific families. In order to attach these vouchers to the property, the owner and the CHA must enter into a contract for a specific period of time, usually at least fifteen years. During this time, the property is guaranteed to remain affordable. As long as a resident remains in that apartment, he/she will receive the benefits of the voucher.

b. Mobility

The resident living in an apartment with a Project-Based Voucher does not have the ability to move immediately with the benefit of rental assistance. Since the voucher is attached to the apartment and not to the family, any request by the family to move with rental assistance means that the CHA must issue a new voucher to the family while also maintaining the Project-Based Voucher for the next household that will occupy the unit. Because there is a limited supply of vouchers, the CHA must wait for a voucher to become available before it can issue a tenant-based voucher to the family.

To improve the options for mobility of 808-812 Memorial Drive residents who convert their Tenant Protection Vouchers to Project-Based Vouchers, the CHA has agreed to allow 808-812 Memorial Drive residents to move, after one year, with a tenant-based voucher if one is available. If none are available, the resident will get a priority for the next available tenant-based voucher. The resident's name will be placed on the CHA's wait list (which is organized chronologically by date of request) and a tenant-based voucher will be issued when one becomes available (and before any such vouchers are offered to applicants on the CHA's other waiting lists).

In addition, after one year, 808-812 Memorial Drive residents who convert their Tenant Protection Vouchers to Project-Based Vouchers can also apply to any of the other CHA Project Based Wait Lists.

Because the rents at 808-812 Memorial Drive will be continue to be regulated by the underlying Section 236 program rules, the rents which will be in effect at the time that the Rent Supplement Contract expires will be dramatically lower than the FMR and initially, no resident would pay in excess of 30% of their income to

rent. Residents that elect to choose a PBV will have their rents capped at 30% of their income.

2. TENANT PROTECTION VOUCHERS (TPVs)

a. Description

The maximum rent that a TPV can pay is capped at the administering housing authority's Payment Standard which, in turn is normally capped at 110% of the Fair Market Rent ("FMR") established by HUD for that unit type in the metropolitan area. For a two-bedroom rent in Cambridge, the Payment Standard normally would be capped at \$1,643/month but the CHA has set rents to \$1,867/month because of the higher than average rental costs.

b. Mobility

The resident may use the TPV to rent another apartment wherever he/she chooses so long as it passes inspection and the rent is reasonable. The tenant pays 30% of income if the rent does not exceed the FMR, which is adjusted annually and as of today, is \$1,494/month in the metropolitan area. The tenant's share of rent may rise to 40% or more of adjusted monthly income if the rent charged by the landlord exceeds FMR.

As residents with mobile vouchers move on, the TPV is lost to the property and the next tenant will have to pay the full rent regardless of their income.

c. Rent for Stayers

Those residents staying at 808-812 Memorial Drive with a Project-Based Voucher will pay only 30% of adjusted income for rent and utilities. If the family experiences a change of income, they may report it and their portion of the rent is adjusted up or down but continues to be based on 30% of their income (minus the CHA utility allowance for tenant paid utilities). Although the Project-Based Vouchers will be part of the Cambridge Housing Authority's Moving to Work (MTW) program, the CHA will use the federal regulations for the Housing Choice Voucher Program (currently found at 24 CFR 5.601 – 5.634) and \$50 as the 'minimum rent' required (for rent plus utility allowance). In addition, for mixed immigrant families, the CHA will use, as a total tenant payment, 30% of adjusted monthly income plus 10%. The CHA will use its own utility allowance schedule for tenant paid utilities, rather than the MassHousing schedule previously used.

d. Rent for Movers

When a resident in a Project-Based apartment requests and obtains a Tenant-Based Voucher (which may involve a wait, as described above), the Tenant-Based

Voucher is subject to the CHA's MTW and Rent Simplification rules. A summary of the Rent Simplification rules can be found in **Attachment A**.

e. Miscellaneous Provisions

The owner will not permanently displace any current resident of 808-812 Memorial Drive except for good cause related to tenant fault.

For current residents of 808-812 Memorial Drive who elect either a Tenant Protection Voucher or a Project-Based Voucher, the CHA will screen (and may deny) said residents only for income eligibility, immigration eligibility, student status, and the federally mandated reasons found at 24 CFR 982.552(b) and 982.55.3

D. TENANTS NOT RECEIVING TENANT PROTECTION VOUCHER OR PROJECT BASED VOUCHER

1. NON-CERTIFYING HOUSEHOLDS

All residents of 808-812 Memorial Drive who are currently receiving Rent Supplement assistance are income-eligible for either a Tenant Protection Voucher or a Project-Based Voucher. In the case that a resident chooses not to accept a voucher or certify with the CHA, they will pay the Section 236 Basic rent according to the Section 236 program rules. Recertified tenants will pay 30% of adjusted income or their rent as of November 1, 2015 (*whichever is greater*). These rents may increase again over time, and may not be as affordable if a household's income decreases in the future.

2. CERTIFIED VOUCHER HOLDERS

The Section 236 Rent Level as of November 1 (as approved by MassHousing) will be the maximum rent that the 76 tenants currently receiving Rent Supplement assistance will pay, subject to change upon refinancing and with CHA approval. Upon refinancing, the CHA's proposed voucher Payment Standard of 120% FMR will be higher than the Section 236 Market Rent, enabling CHA voucher-holders who remain at 808-812 Memorial Drive to continue to pay 30% of adjusted income.

E. OVERHOUSING

For all tenants, the determination of whether a household is over-housed (living in an apartment which has more bedrooms than are needed for the number of people in the household) will be based on CHA Occupancy Guidelines. The current Guidelines are at **Attachment E**. The rules for when an over housed tenant is required to move to an appropriately sized unit are the same for Tenant Protection Vouchers and Project Based Vouchers:

- Over housed tenants may remain in their apartments, without penalty, until an appropriately-sized unit at 808-812 Memorial Drive becomes available and is offered to them. The Owner will offer available vacancies on a priority basis to over housed residents and the PBV subsidy will be transferred to the smaller unit.
- If the household refuses to accept a smaller unit when it is offered, they may remain in their current unit and;
 - in the case of a family with a Project Based Voucher, pay a surcharge (equal to 20% of the current tenant-paid rent) or, they may receive a tenant-based voucher (if one is available) to move to a smaller unit in a different complex or community.
 - In the case of a family with a Tenant Protection Voucher, have their rent recalculated using the payment standard for the appropriate unit size versus the actual unit size.

F. REHABILITATION

An initial construction phase (currently underway and expected to continue through October 2015) is addressing miscellaneous temporary concrete repairs to the building exterior and garage wall. If new financing can be obtained, the next phase of construction will be a more extensive rehabilitation intended to address many original systems. An analysis of existing building conditions is currently underway. The proposed scope of work includes: repairs to the existing building envelope and roof; roof anchor installation; elevator modernization; fire pump and fire alarm system upgrades; and boiler installation. Garage improvements include exterior wall repairs, deck repairs, traffic coating, and structural repairs. Unit improvements include bathroom improvements, balcony repairs, and cooling & heating system upgrades. The extent of renovations will be dependent on approval of the requested rent increase and the Owner's ability to secure additional financing for 808-812 Memorial Drive. It is also partially dependent on the financing that is available based on the number of households who choose to receive Project-Based Vouchers.

The Owner will hold planning meetings with residents for the purpose of obtaining input into, and keeping residents informed of, its plans and timetable for renovations. When renovations begin the Owner will provide advance written notice (of at least 48 hours) to tenants of times workers will need to be in each unit; will work with residents who need special accommodations during the renovations; best efforts will be used in scheduling work and in minimizing disruption (e.g. water and electricity shut-offs, noise) to residents; and, if needed the Owner will provide a vacant furnished unit and/or access to the community room for residents to use during the day while some work in the apartments are being completed. Supplies and if necessary movers will be provided, to assist residents if any items need to be moved in the apartment for the renovation. In the unlikely event that a resident has to move, the Owner will negotiate a written relocation agreement and provide as much notice as possible of any move.

G. FUTURE TENANT SELECTION

Tenant selection for PBV units will be in accordance with the CHA's Administrative Plan which will include provisions allowing site based Project-Based wait lists. The CHA's Administrative Plan will require that the owner maintains a Tenant Selection Plan that is approved by the CHA. Approved Tenant Selection Plans will include information outlining the owner's policy pertaining to unit moves, including selection of in-place residents versus applicants from the waiting list when vacancies occur.

H. PROCESS AND RESPONSIBILITIES

Following HUD's official notification to CHA that it has been selected to administer Tenant Protection Vouchers at 808-812 Memorial Drive, and that funding is available, the CHA will send a notice to each Rent Supplement resident household inviting them to contact the CHA regarding TPV eligibility.

The CHA will meet with each Rent Supplement household in the property who is interested in receiving a Tenant Protection Voucher or a Project-Based Voucher, in order to determine eligibility. (For the CHA definition of who qualifies as a household see Attachment B). To be eligible for either a Tenant Protection Voucher or a Project Based Voucher, annual household income must be at or below 80% of Area Median income ("AMI") as found in Attachment C.

Rent Supplement households who elect either a Tenant Protection Voucher or a Project-Based Voucher will be screened by the CHA (and may be denied) only for income eligibility, immigration eligibility, and the federally-mandated reasons found at 24 CFR 982. 552(b) and 982.553.

Once each family has been income certified, the CHA will apply to HUD for sufficient funding for every income eligible family and for any other eligible apartment. The CHA will also inspect the units of households approved for TPVs or PBVs to be sure that they comply with Housing Quality Standards.

The Owner and the CHA will enter into a Project-Based Voucher Housing Assistance Payments ("HAP") contract for a specified number of apartments in the building, including:

- all units occupied by residents who elect to project-base their Tenant Protection Vouchers and are eligible for Project-Based Vouchers;
- all units that receive Tenant Protection Vouchers, but are vacant at the time the voucher is issued; and
- an additional number of units (to be determined) that will be issued on a "stand-by" basis, to be added to the contract upon turnover of units not initially receiving Project-Based Vouchers.

The initial HAP contract term will be up to 2 years with the understanding that the Owner intends to pursue a refinancing in the near future. The CHA and the Owner have agreed to enter into a new 15 year PBV HAP contract at that point, which will cover the additional Section 236 units at 808-812 Memorial Drive. The CHA will offer to renew that HAP contract on mutually agreeable terms for at least 3 additional five-year periods, provided that 808-812 Memorial is in compliance with the contract, and subject to continuation of the CHA's Moving to Work authority (or alternative authority) and adequate appropriations.

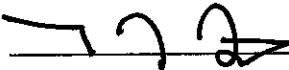
As a condition of the HAP contract, the Owner will keep the Project-Based Voucher units affordable for the duration of the HAP contract, with a commitment to renew the contract on mutually agreeable terms for the maximum period offered.

To assure the viability and continued affordability of 808-812 Memorial Drive, CHA has pledged a reserve of 25 back-up vouchers to offset any shortfall if less than 100% of residents eligible to receive a TPV elect to convert to a PBV. The exact number of back-up vouchers needed in the reserve will be established at execution of the HAP contract and will be set to ensure that the sum of the project-based and back-up vouchers gets as close to 76 as possible.

An example of how the reserve is established and used can be found in Attachment D.

SO AGREED

Peter Daly, Director
Memorial Drive Housing Limited Partnership
280 Franklin Street
Cambridge, MA 02139
Date: _____



Michael Johnston, Deputy Executive Director
Cambridge Housing Authority
362 Green Street
Cambridge, MA 02139
Date: 9/1/2015

Attachment A

RENT SIMPLIFICATION POLICY OVERVIEW Moving to Work ("MTW") Housing Choice Vouchers ("HCV")

INCOME DETERMINATION

Assets:

CHA excludes income from assets worth less than \$50,000.

Income:

Prospective and past income can be used to calculate income for the purpose of rent determination.

RENT DETERMINATION

Annual Income:

All income, monetary or otherwise, which is paid to or on behalf of the head of household, they spouse of the head of household (even if temporarily absent), or any other household member. Also those sources of income that household members anticipate receiving during the 24-month period following admission.

Adjusted Income:

The income upon which income-based rent is based, means Annual Income less the allowable childcare or medical deductions.

Rent is calculated at 30% of adjusted income.

Minimum Rent:

The minimum rent any household may pay before adjustment for utilities is \$50.00 month. Households paying minimum rent are referred to social service providers for benefit counseling.

ZERO INCOME HOUSEHOLDS

Households claiming zero income pay zero rent for 90 days. Households claiming zero income after 90 days are required to provide a certification of zero income and a family budget form; such households will also be required to pay a minimum rent of \$50.

Utility Assistance Payments (UAPs) are not paid to families claiming zero income.

RECERTIFICATIONS:

Annual / Biennial Recertifications:

Household income and rent are recertified annually for non-elderly or –disabled households. Elderly and/or disabled household are recertified biennially (every two years).

Interim Recertifications:

Households experiencing significant reductions in income or increases in eligible expenses (e.g., childcare or medical care) may have an Interim Recertification to temporarily reduce their rent. Households paying rents based on Interim Recertifications must report any change in the circumstances that required the rent decrease within thirty days of occurrence. Their rents will be readjusted accordingly.

Permitted Interims:

Family households are limited to one Interim Recertification between regularly scheduled Annual Recertifications.

There is no limit on the number of times that an elderly or disabled household may request an Interim Recertification between regularly scheduled Annual Recertifications.

HARDSHIP WAIVERS

Eligibility:

Households experiencing significant, unexpected, and long-term (expected to last more than 30 days) reductions in income or increases in eligible expenses may apply for and receive Hardship Waivers.

Criteria:

Households paying more than 50% of adjusted income towards rent and utilities.

Hardship Applications are reviewed by CHA's Hardship Committee. If a Hardship waiver is granted, it will count as an interim recertification.

Family households may apply for Hardship Waivers, even if they have used the one Interim Recertification permitted between Annual Recertifications.

Please note: The mortgages and other financing that are in place or may be put in place for the upgrades of the 808-812 Memorial Drive may require their own certification that may calculate your income differently. Such certifications do not calculate your portion of the rent.

Attachment B

DEFINITIONS

Household:

A household can be any of the following:

1. Two or more persons residing in the same dwelling as their primary residence:
 - a. All of whose income and resources are available to meet the household's needs; and
 - b. Who are either related by blood, marriage, or operation of law; or
 - c. Who have otherwise evidenced a stable inter-dependent relationship.
2. One person.
3. Disabled household.
4. Elderly household.

The following do not meet the definition of a household:

- Borders, lodgers, or transient paying guests;
- Unrelated adults who have not lived as household members on a regular basis.

Head of household: The adult member of the household who is the head of the household for purposes of determining income eligibility and rent and has legal responsibility for lease compliance.

Disabled household: A household whose head and/or spouse or sole member is a person with disabilities. The term "disabled household" may include two or more persons with disabilities living together, and one or more persons with disabilities living with one or more persons who are determined to be essential to the care or well-being of the person or persons with disabilities. A disabled household may include persons with disabilities who are elderly.

Elderly household: A household whose head, spouse and/ or sole member is an elderly person. The term "elderly household" includes an elderly person, two or more elderly persons living together, and one or more persons who are determined to be essential to the care or well-being of the elderly person or persons. An elderly household may include elderly persons with disabilities and other household members who are not elderly.

Elderly person: An individual who is at least sixty (60) years of age. However, for the purpose of admission, an elderly person is an individual who is at least fifty-eight (58) years of age.

Attachment C

CHA INCOME LIMITS

Household Size	80% Area Median Income (AMI) Tenant Protection Vouchers Project-Based Vouchers
1 person	\$48,800
2 persons	\$55,800
3 persons	\$62,750
4 persons	\$69,700
5 persons	\$75,300
6 persons	\$80,900

Attachment D
BACK-UP VOUCHERS

To illustrate how the reserve pool of back-up voucher is intended to work, let's assume that of the 76 households eligible to receive Tenant Protection Vouchers at 808-812 Memorial Drive, 2 are determined to be over-income for receipt of either the tenant protection vouchers or the project-based vouchers, leaving 74 households that are eligible for PBVs as follows:

Total households	76
Not eligible for PBV	-2
Total units eligible for project-basing	74

Of the remaining 74, let us assume that 45 have signed binding commitments to participate in the Project-based Voucher program, while 29 have declined to convert to PBV.

Eligible families	74
Families opting for TPV/declining to convert	-29
Families opting to convert to PBV	45

In this example, Memorial Drive Housing Limited Partnership can obtain only 45 PBVs and is 31 (2 + 29) vouchers short of its goal of project-basing all 76 units. CHA will establish a reserve pool of 25 PBVs that would permit Memorial Drive Housing Limited Partnership to obtain PBVs for these units as they turn over and are occupied by new eligible households. Under these circumstances, the HAP contract for 808-812 Memorial Drive would be for only 70 units with 25 of those vouchers designated as back-up that can activated over the life of the contract.